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FROM USOECD PARIS

STATE FOR E, EEB-DAN SULLIVAN, EUR AND S/P, NSC FOR STEVE NEWHOUSE

E.O. 12958: N/A

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SUBJECT: OECD -- GUIDANCE REQUEST -- ESTABLISHING OECD SUPPORT UNIT
FOR G-8 HEILIGENDAMM DIALOGUE PROCESS

¶1. (SBU) Summary. On July 12 Council will be asked to take a decision on establishing a Support Unit for the Heiligendamm Dialogue Process (HDP) agreed at the G-8 Summit. Although the Germans, as G-8 President, are pushing for a quick decision in order to initiate the process in the fall, they have been unable to provide many details of their proposal up to this point. The Council discussion document, C(2007)88 (draft sent to EUR/ERA and EEB/PAPD on July 5), provides only the most general overview of the initiative and was circulated just at the limit of the minimum required seven days prior to Council discussion. Several OECD members have raised questions regarding the role of the OECD (and all its members) and the relationship between the Heiligendamm Dialogue Process and the OECD's program of Enhanced Engagement. A number of its proposed elements, from staffing and funding to OECD/IEA dynamics, are potential areas of concern for the USG. U.S. Mission requests guidance for the preliminary July 10 Executive Committee and July 12 Council discussion. End Summary

¶2. (SBU) At last month's (June 12) Council meeting, SG Gurria and German Ambassador Hoffman reported on the results of the G-8 Summit at Heiligendamm, notably the Summit Declaration's call for the establishment of a Support Unit to facilitate dialogue between the G-8 and the O-5 emerging economy, outreach countries (Brazil, China, India, Mexico and South Africa). The SG noted that the G-8 request that the OECD host the Support Unit was an opportunity for the Organization to have an impact in terms of policy making on global issues. Ambassador Hoffman announced that the German government would fully fund -- and head -- the unit. He said that German Sherpa and chair of the ECSS, Bernd Pfaffenbach, would inform his ECSS counterparts about details of the Support Unit. In the interim, Pfaffenbach has sent a letter to G-8 members and O-5 countries asking them to engage with the OECD Secretary General in support of the initiative and that the Council be prepared to approve setting up the unit at its next meeting on July 12, so that the unit could begin operation in September. A brief discussion ensued, with a number of ambassadors questioning the initiative and generally indicating their reservations.

¶3. (SBU) On July 5, Heads of Delegation took up the HP briefly and considered an advance draft of the document C(2007)88 to be discussed at the decisive July 12 Council. All the G-7 (with the

exception of a silent Canada) spoke in support. Questions that OECD ambassadors had raised in the June 12 Council had evidently received satisfactory responses from the Germans, but some outstanding issues remain. These notably involve the relationship of the initiative to the OECD's Enhanced Engagement initiative launched at the May Ministerial, the composition of the steering group (non-G-8 countries urging opening up membership beyond the thirteen), the curious geometry of housing the HDP at the OECD, where one G-8 member has not acceded, one of the O-5 (Mexico) is an OECD member, and the lack of mention of Indonesia, the "missing" country specified in May for enhanced engagement.

¶4. (SBU) The SG and Germans (the German Ambassador and a representative from Berlin responsible for Heiligendamm who briefed OECD Heads of Delegation) responded, indicating the HDP's structure would likely parallel that of the Africa Partnership Forum (APF) Support Unit (a similar undertaking established in the wake of Gleneagles). The Germans noted that the initiative had a two-year notional time horizon and that Germany and the next two G-8 presidents, Japan and Italy, would thus provide the funding for the Support Unit. The SG added (as the Germans had earlier asserted) that staffing, at least at the unit's senior levels, would be restricted to these three countries' nationals. With these clarifications, there appeared to be no further opposition to the establishment of the support unit. We thus expect the July 10 Executive Committee and July 12 Council meetings will result in the Unit's establishment.

¶5. (SBU) The Mission is concerned that the Heiligendamm Dialogue Process Support Unit's work program, staffing and funding are not/not well defined enough that we could recommend supporting it. There are already divisions within the OECD over the role that the International Energy Agency (IEA) will play (e.g., the extent to which the HDP work is continuous with that of Gleneagles? and how

much of the HDP's funding pledge can the IEA lay claim to?) and the restrictions on the staffing, which are a new departure for this kind of OECD undertaking.

¶6. (SBU) Guidance Request: That said, given the fact that all G-8 leaders signed on to the concept of the HDP, we are reluctant to take the lead in questioning the initiative at this stage. Due to the fast track nature of the German push for a quick decision, any apparent U.S. opposition could be seen as back-tracking on the Summit Declaration and could be perceived as a U.S.-German disagreement. The USG is also pushing for a July 12 Council decision on establishing an OECD home for the advisory unit of the Partnership for Democratic Governance. USOECD requests guidance on how to proceed at the July 10 Executive Committee discussion and July 12 Council discussion/decision.

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